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C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 002475

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SUBJECT: THE UPA AT THREE YEARS - MIREN IN MEDIOCRITY

Classified By: A/PolCouns Atul Keshap for reasons 1.4 (B,D)

¶1. (C) Summary: Prime Minister Manmohan Singh released a "Report to the People" on May 22, outlining the achievements of his UPA government at the three year point. The PM acknowledged that inflation is a problem, providing assurances that his government would take measures to keep it from hurting the poor. He also noted the need for measures to address rural poverty and the lack of infrastructure. The report emphasizes that while India has experienced five years of record economic growth, it will not in and of itself significantly reduce poverty. The PM pledged his government to policies aimed at "inclusiveness," that would ensure benefits to the widest number of Indians. Although the BJP immediately and predictably dismissed the UPA government as an "utter failure," most observers were more objective, giving the UPA a mixed record, with some successes and some failures. Despite the high-flying rhetoric from the PM, most of the UPA programs are still in early implementation and many have yet to leave the drawing board. Polling data, media reports, anecdotal evidence and the views of Embassy contacts point to a growing sense of malaise within and without the UPA, although support for the nuclear deal is getting ever stronger. While the UPA conceives large programs, it has trouble carrying them out and there is not much confidence that the government will make much progress in poverty reduction. The failure of the UPA to energize the electorate or generate much enthusiasm is reflected in its poor electoral performance, including the most recent Congress defeat in Uttar Pradesh. With both Congress and the BJP in the doldrums, regional parties are moving in to pick up the slack, most notably the BSP of UP Chief Minister Mayawati. While the regionals will nip at the heels of the UPA (and the BJP) in coming contests, future elections are likely to be multi-sided affairs yielding awkward coalitions with unclear mandates. End Summary.

Another Year - Another Report

¶2. (U) On May 22, Prime Minister Manmohan Singh convoked the leadership of the UPA coalition at his residence, where he unveiled his third "Report to the People," outlining the

achievements of his government after three years in office. In his speech, the PM emphasized that while India has seen economic growth rates over 8.5 percent for the past five years, the UPA's principal objective has been to ensure that this results in "employment generation, poverty reduction and human development." The Prime Minister attributed India's high growth rates to an "unprecedented increase in the rate of investment," which, he emphasized, has generated employment and reduced poverty. However, he pointed out, this in and of itself "does not address the challenge of employment promotion, poverty reduction and balanced regional development." For that to take place, "economic growth much be socially inclusive and regionally balanced."

The Elephants in the Room

13. (U) A higher than targeted inflation rate has exposed the UPA to increasing criticism from the opposition parties and the Left Front (LF), even as inflation has started to fall from recent highs. In his speech the PM acknowledged that this was a problem, stating that "galloping demand for many products" is a "cause for concern" and a "shortfall in production of these commodities" has pushed up prices. He pledged that his government would be "vigilant" to ensure that "the poor and vulnerable sections of society do not suffer unduly." The PM emphasized that "we need to resolve the relatively poor performance of the agriculture sector in the nineties," and pledged his government "will be unveiling a major initiative which will not only enhance the total public sector investment in agriculture but will also enable states to resolve problems of agriculture."

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The Seven Magic Goals

14. (U) The report outlines seven policies aimed at achieving its principal goals, many of which reflect the populist budget allocations passed by Parliament this month. These include:

- increased investment in rural areas and agriculture
- increased credit availability to farmers
- increased rural employment
- increased spending on education and healthcare and strengthening the midday meal scheme
- increased investment in urban renewal
- empowering the scheduled castes/tribes, other backward classes (OBC's), minorities, women and children
- ensuring that public investment and the benefits of growth are spread to "backward regions and districts"

A Long Laundry List

15. (U) The report itself is a long laundry list of projects aimed at achieving these seven basic objectives. The flagship of the UPA's Common Minimum Program (CMP) is the Bharat Nirman program (for rural areas and agriculture), the National Rural Employment Guarantee Scheme (NREGS), and the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The UPA has doubled the amount of public funds going to health and increased education outlays by 34 per cent over 2006, while vastly increasing outlays for rural housing, employment generation, roads, electricity and urban renewal. According to the UPA, approximately 16 million households have benefited from the NREGS program, which is aimed at providing 100 days of work on public projects to one member

of each rural household per year. The NREGS program is purportedly funding construction of 500,000 public works projects in the 200 districts (out of a total of 600) where it is operational, half of which are much-needed water projects. The JNNURM is currently up and operating in 63 cities, where the UPA maintains it is developing urban infrastructure and providing basic services to the urban poor. It has increased spending on the mid-day meals program (which provides free lunches to primary school students) by 500 percent, and electrified 39,000 villages in the last two years.

But Much Remains on the Drawing Board

16. (U) Although the UPA was quick to take credit for many achievements, many of its proposals remain unrealized. It has submitted a Women's Reservation Bill to Parliament, for example, but it has never come up for a vote. The UPA is "considering" a proposal to strengthen anti-corruption infrastructure, including some amendments to the Prevention of Corruption Act. The UPA's National Rural Health Mission (NRHM) has set ambitious targets to be met by 2012. These include: cutting infant mortality in half (from 60 to 30 per 1,000 live births), reducing the fertility rate from 3 to 2.1, increasing the number of beds available in government hospitals, eliminating leprosy and halting and reversing the HIV/AIDS epidemic. The UPA has submitted to Parliament a "Model Right to Education Bill" that would guarantee a "fundamental right to education" to all Indians through the secondary level.

What About the Rest of the World?

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17. (U) The report makes heady claims regarding the UPA's achievements in the foreign policy arena. At the top of the list is the civil nuclear accord with the US, improving relations with Pakistan and China, addressing crises in the South Asian region and "giving an economic thrust to its diplomacy with the leading powers of the world." The UPA insisted that its foreign policy was "independent, built on national consensus and based on supreme national interests." The report listed the forging of closer political, economic and cultural ties with its neighbors as a "high priority," as "maintaining and nurturing a peaceful neighborhood is a prerequisite for India's high economic growth to continue." While expressing pleasure at the continued progress in the India/Pakistan initiative, the report emphasized that "the health of the peace process depends crucially on Islamabad honoring its January 6, 2004 commitment to not allow its territory to be used for terror activities directed against New Delhi." The UPA was particularly proud of the "sustained and comprehensive development" of India's relations with China, stressing that bilateral trade has increased to 25 billion dollars and is set to grow to 40 billion dollars by 2010.

The BJP Has its Own Report

18. (U) On May 23, BJP President Rajnath Singh released his party's 66 page report entitled "UPA's three years, aam aadmi's (common man's) tear years." Singh described UPA rule as "faceless, directionless and spineless," as the government is led by a Prime Minister "who has no say in his own Cabinet." Senior BJP leader LK Advani described UPA rule as an "utter failure." Accusing the UPA of being "soft" on the nation's security, Advani claimed that this was "the first time in the history of the nation that a government was headed by a non-Prime Minister, not accountable to Parliament (Sonia Gandhi), and surviving on a life-support system provided by parties (the Left) that behaved more like the Opposition." Advani accused the UPA of failing to check

steep price rises of essential commodities, which "demonstrated its betrayal of the common man," while failing to provide internal security, by "adopting a soft approach in dealing with the jihadi menace."

Pundits are More Objective

¶9. (U) Most observers without an obvious partisan agenda were more objective, giving the UPA mixed reviews. Most applauded the India/US civil nuclear accord, stating that its completion would be a major foreign policy achievement for the UPA. G. Parthasarthy, the former High Commissioner to Pakistan, criticized what he characterized as the UPA's tendency to rush into foreign policy initiatives without thinking issues through. He described the progress made on relations with Islamabad as "fitful at best," criticizing the UPA for "a total lack of understanding of security imperatives or the dynamics of terrorism in dealing with Pakistan." Former National Security Advisor Brajesh Mishra lamented that "the Pakistan policy is now in limbo because of internal problems. Editorials pointed out that there is considerable dissension in foreign policy between Congress, its UPA ally the DMK and the Left Front, especially when it comes to relations with the US, the US/India nuclear deal and the India/Iran relationship.

¶10. (C) Although the PM promised UPA "vigilance" to prevent the poor from suffering from the impact of inflation, this seems incongruous at best, as the suffering is already taking place and UPA critics are taking political advantage of it. Although economists are quick to point out that there are many reasons for an increased inflation rate, commentators connected to the BJP, other opposition parties, and the Left

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have been quick to blame alleged economic mismanagement for any increases, and for the wave of farmer suicides that have afflicted some parts of the country for the past 10 years. Critics on the left in particular have asserted that although the PM claimed that he wanted the benefits of economic growth to be inclusive, they were not trickling down to the common man. Congress Cabinet Minister Mani Shankar Aiyer warned that the UPA was "in danger of losing the common man's support if the government did not correct its economic policies."

Poor Political Track Record

¶11. (U) Some pundits noted that Congress had a poor track record when it came to managing the UPA coalition, as three political parties (the MDMK, TRS and JD-S) had left the alliance and the Samajwadi Party (SP) had withdrawn support. Managing this contentious coalition had also distracted the UPA and kept it from focusing on governance. As a result, the UPA failed to meet many of its ambitious targets and many programs remained on the drawing board. For example, while the National Rural Employment Guarantee Scheme (NREGS) promised 100 days of employment per rural household, the national average was actually 37.5.

A Government Standing Still

¶12. (U) The Times of India released its own national poll in advance of the UPA report. It showed a government muddling through, but not generating a lot of popular excitement. The previous poll was in November 2006 and there had been little or no change in key attitudes since then. Despite Congress efforts to push Rahul Gandhi into a leadership role, those who stated he should play a larger political role declined from 61 percent to 56 percent. Those stating that their lives had improved under the UPA went up only marginally from 36 percent to 38 percent, while those who believed their lives had become worse also increased from 24 percent to 27

percent. Those approving the UPA's handling of the economy also declined marginally from 52 percent to 50 percent. The US/India nuclear deal was one of the few unalloyed bright spots as with 52 percent saying that it had helped the UPA government, up from 47 percent in the previous poll.

The View from the Left

¶13. (C) In a May 22 meeting with Poloff, S. Sudarkar Reddy, an MP from the Communist Party of India (CPI), expressed mild displeasure with the UPA's performance. He accused the UPA of playing a double game, encouraging harmful "free trade policies," while not doing enough for the poor who are suffering the impact of these policies. (Note: India actually continues to maintain very high agricultural tariffs in order, ostensibly, to protect its poor farmers. End note.) Reddy expressed admiration for PM Singh, whom he credited with being an honest man with his heart in the right place, but opined that this Prime Minister would never be able to implement a serious development program aimed at poverty reduction. Reddy pointed out that the BJP had suffered a serious defeat in UP and had seen its entire Hindutva agenda rejected by the voters. This, he noted, freed the Left parties to take a more aggressive stance against the UPA's economic agenda, as they no longer had to fear a BJP resurgence. In Reddy's opinion, both the BJP and Congress are faring badly and the big winners have been the regional parties, who will play a larger role in national politics. He conceded that the Left parties were also stagnating and would remain confined to their "red forts" in West Bengal, Kerala and Tripura. He predicted that the Communists would likely lose a few seats in the next election, but there would be no dramatic change. Reddy hoped that the Left and Congress could part company in the 2009

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national election and that the Communists could join with resurgent regional parties to form their own government.

And From Within Congress

¶14. (C) On May 22, Digvijay Singh, the former Chief Minister of Madhya Pradesh and a quintessential Congress insider, told Poloff and PolCouns that Congress is faring badly in elections because it was reluctant to embrace its own progressive and secular ideology. He complained that Congress has backed away from confronting communalism and casteism and this was hurting the party at the polls. Singh opined that caste and religious identity were losing their political usefulness and that Congress would benefit from this ongoing social change if it embraced an uncompromising position on these issues. Instead, he lamented, the party embraces "soft Hindutva" and panders to Muslim fundamentalists, while regional parties continue to undermine Congress and its vote blocs. Singh maintained that it is irrelevant whether Manmohan Singh survives as Prime Minister, emphasizing that the Gandhi/Nehru family is the heart and soul of Congress and party members will accept anyone as Prime Minister if he/she is selected by Sonia Gandhi.

The Political Consequences

¶15. (C) With the positive exception of the nuclear deal, the overall national political trend is of a UPA government incapable of taking dramatic initiatives or generating political excitement or enthusiastic popular support. It has become a party mired in its own mediocrity that draws up big plans and big initiatives, but fails to back them up with genuine commitment and effort. This has become apparent to the voters and has been confirmed by the losing record of Congress in recent elections. In the past year Congress has faced electoral defeats in Bihar, Uttarakhand, Jharkhand and now Uttar Pradesh, and is increasingly presenting a picture

of a party in the doldrums. Its only political consolation is that the BJP is doing only a little better. The recent victory of Mayawati and her caste-based BSP in UP is indicative of a larger trend toward further regionalism. She is now bent on repeating her success in other states and capturing more MP's in the 2009 Parliamentary elections. As the BJP and Congress run out of energy, the political vacuum is filled by regional parties such as the BSP. Should Congress fail to meet the Mayawati challenge, her followers could become increasingly energized and ambitious. In the media, reports are starting to appear that Mayawati will not stop until she becomes Prime Minister.

¶16. (U) Visit New Delhi's Classified Website:
(<http://www.state.sgov.gov/p/sa/newdelhi/>)
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